

The awarding of scholarships by a foundation solely to undergraduate members of a designated fraternity will not preclude it from exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954 as an educational organization.

Advice has been requested whether the awarding of scholarships by a foundation solely to undergraduate members of a designated fraternity will preclude it from exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954.

The purposes of the foundation under consideration are to foster intellectual excellence through scholarships and other means, to further cultural growth through publishing literary papers, to cultivate useful citizenship and amicable relationships between individuals, student groups, and others, to promote and encourage religious, moral, civic, and social responsibility, and to carry out such purposes through contributions to tax-exempt organizations in those fields and otherwise. Activities consist of raising funds, holding and investing the corpus in securities, collecting the income, and devoting it to the purposes of the foundation. Scholarships are open to members of all chapters of a designated fraternity who are in their senior year at a college or university and are based on scholarship, character, and service to the institution. The recipients are not related by blood or marriage to any of the officers of the trust, trustees, or contributors.

The fact that the foundation's scholarships are limited to a particular group would not preclude its exemption as an educational organization inasmuch as there is no specific designation of persons eligible for scholarships and the purposes of the foundation are not so personal, private, or selfish in nature as to lack the elements of public usefulness and benefit which are required of organizations qualifying for exemption under section 501(c)(3) of the Code.

Accordingly, it is held that the awarding of scholarships by a foundation solely to undergraduate members of a designated fraternity will not preclude it from exemption under section 501(c)(3) of the Code as a foundation organized and operated exclusively for educational purposes.